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  2. Comments represent the preliminary views of the Office of Current Intelligence.
  3. Marginal letter indications are defined as follows:
    - "A" - items indicating Soviet-Communist intentions or capabilities
    - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
    - "C" - other information indicating trends and potential developments

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## SECTION 1 (SOVIET)

"B" USSR. Reported Economic Difficulties in the USSR Resulting from the Korean War Not as Yet in Evidence. An analysis of the impact of the Korean War on the internal situation of the USSR, particularly the economy and transportation system has been made by Soviet refugee in Munich. The report finds "serious" economic dislocations in the USSR owing to the unplanned for protraction of the war. This has caused the exhaustion of those supplies in the Far East accumulated for the specific purpose of a short war. This exhaustion, together with the also unenvisioned burden of supplying the Chinese armies now engaged has produced critical shortages as far West as the Moscow area. The report concludes that while a profound crisis embracing the entire economy is not now reflected, there are at present indications of difficulties in the internal economy as a result of the war.

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( ). COMMENT: Some of the shortages and critical situations mentioned are contradicted by available evidence, while others seem attributable more to the present state of the economy rather than the Korean war in particular. However, should the extent of USSR aid to the Chinese and North Koreans significantly increase, a situation such as the report envisages might well result. In such a case, some evidence will probably be available to the Embassy personnel in their day-to-day observation of the Moscow area.

"B" Removed Report on Soviet Intentions Towards Iran. Authoritative sources in Berlin, according to AP, have reported that the Soviet Ambassador to East Germany, Gregory Pushkin, advised German Communists at a top secret meeting that the USSR will "resist" injection of foreign troops into the Iranian oil crisis. (U NYT, (AP), 25 May 51). COMMENT: During the past week, rumors have cropped up stating that the USSR had offered to intervene in Northern Iran in case of UK troop landings in the southern oil area, while other rumors have been circulated that Moscow would give Iran all possible support in keeping its independence should UK troops land, short of sending Soviet troops into Northern Iran. At the end of April, the Soviet Ambassador to Iran reportedly intimated to interested countries (the UK and Iran) that the USSR was hardly likely to intervene should UK troops be landed to maintain order. (See O/CI Daily Digest, 26 Apr 51). The reported statement by Pushkin merely continues Moscow's equivocal policy concerning Soviet intentions under the terms of the 1921 Soviet-Iranian Treaty.

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Report on Preliminary Soviet Preparations for Providing Oil Technicians to Iran. [redacted] the Soviet oil administration (SMV) in Austria is recruiting interested SMV technicians for use in the Iranian oil fields. The plan is reportedly to send about 30 such technicians, who under the scheme would sign 2 or 3 year contracts and receive high salaries. Questionnaires are now on file in SMV offices for those interested. (S [redacted]).

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COMMENT: There is no confirmation that the USSR has taken any such steps, nor any confirmation of recent rumors that they have offered technical aid to the Iranian Government. However, the USSR would be remiss in not preparing for any eventuality that would lead them nearer to their aims in Iran including a possible Iranian request for technical aid in the future. It is not unlikely, therefore, that Moscow may have ordered some such preliminary preparations, while closely watching the latest developments in Iran.

"A" EASTERN EUROPE. FINLAND. Locally-made Radar Warning System Planned to Avert Soviet Aid. A recent reliable report from Finland reveals that the Finnish Government is planning the installation of a Finnish-manufactured radar early warning system in order to preclude "any further" Soviet request to install such a system. There will be at least eight stations along the western border of Finland in the radar network. A Finnish-manufactured experimental model of the radar is already under production, although certain complicated parts are still being obtained from Holland. (S Air A Helsinki IR-85-51, 19 Apr 51). COMMENT: This report tends to confirm earlier intelligence that the USSR had approached Finland regarding the installation of an early warning radar system in Finland (O/CI Daily Digest, 7 Mar 51) and that the Finnish Government had consequently decided to establish such a net to avoid Soviet pressure (O/CI Daily Digest, 19 Mar 51). Available information concerning the Finnish radar indicates that it will have an effective range of 110-125 miles. The first set is expected to be completed in the fall of 1951 or early 1952.

"B" HUNGARY. Archbishop Reported Under Arrest. It has been reliably reported from Budapest that Catholic Archbishop Grosz and three of his assistants have been under house arrest since 19 May. (S Budapest 544, 24 May 51; S Budapest 538, 22 May 51). COMMENT: As acting head of the Bench of Bishops since Mindszenty's imprisonment, Archbishop Grosz has been one of the strongest Catholic opponents to the Communist regime. He has been under Communist attack during the past few weeks for refusing to sign the current peace appeal. He has also been charged with violating the 1950 Church-State Agreement which stipulated that the Church hierarchy would support the Communist peace program. According to recent reports other Hungarian Bishops who had withheld their signatures from the peace appeal have finally been forced to sign.

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"C" RUMANIA. Little Progress on Danube-Black Sea Canal. [REDACTED]

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[REDACTED] reports that the project is still in its initial stages and estimates that at the present rate of progress it cannot be completed in less than 10 years. He estimates that about 4000 laborers are currently working on the project, excavating by hand in what is described as a hazardous manner. (S [REDACTED], 22 May 51). COMMENT: The Rumanian Five Year Plan, initiated in 1951, calls for operation of the Canal by the end of the period. Work on the project has been under way since the spring

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of 1949. Other reports have also indicated that progress on the Canal was poor. It is probable that the thousands of white-collar workers currently being dismissed from government and other jobs will be forced to work on this and similar government construction projects.

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TRIESTE. Pro-Tito Party Resolution Questioned by Belgrade.

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has reported that a Yugoslav agent was recently instructed to investigate the publication in Trieste of a local pro-Tito Communist Party resolution which had not been cleared with Belgrade. The resolution, containing the local Titoist party program for the forthcoming Trieste elections, supported the gradual unification of Zones A and B. An extraordinary meeting of the Trieste Pro-Tito Party central committee to discuss the resolution was said to have been scheduled for 22-23 May. According to [redacted] on the above report, a subsequent editorial written by Babie, head of the Trieste Titoist party, retreated from the firm stand of the previously published resolution. The editorial merely stated that the Italo-Slav Popular Front had only a general policy, subject to criticism by all before adoption of a final electoral program. It stressed the importance of creating a Trieste democratic front to oppose efforts to annex Trieste to Italy. The [redacted] also indicates that rumors are prevalent in Trieste that Babie may soon be replaced. (S [redacted]). COMMENT: It is improbable that Tito will approve any modification of his consistent stand for settlement of the Trieste issue on the basis of Yugoslavia's annexation of Zone B. Babie's overly-enthusiastic sponsorship of unification of the Zones may, therefore, bring about his removal as the Pro-Tito Party head in Trieste.

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YUGOSLAVIA. Tito Government Discusses Curtailment of Refugee Expulsion into Trieste. In a discussion with US Ambassador Allen regarding the problems created in Trieste by the Yugoslav expulsion of refugees, a Yugoslav foreign office official has stated that the whole Yugoslav refugee problem was receiving high-level attention in Belgrade. The possibility of direct Yugoslav arrangements with the West German government regarding German refugees was discussed. The Yugoslav official implied that if groups such as the White Russians now in Yugoslavia could no longer be expelled to Trieste, the Belgrade government would be forced to take other action in their regard. Ambassador Allen is of the opinion that the Yugoslav government will probably approach the International Refugee Organization regarding its refugee problem. (C SD Belgrade 1744, 24 May 51). COMMENT: As of 9 April 1951 there were 4,445 refugees in Trieste IRO camps including Germans, Russians, Yugoslavs, Hungarians, Bulgarians and Rumanians. Since a large part of these are persons expelled from Yugoslavia, the cooperation of the Tito Government in dealing directly with its refugee problem would diminish US and IRO refugee problems in Trieste.

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"B" YUGOSLAVIA. Federation of Albanian Political Emigrants Founded in Yugoslavia. The Belgrade Radio has announced the establishment of a Federation of Albanian Political Emigrants in Yugoslavia. According to the announcement the federation's first meeting was held on 10 May in Prizren (on the Yugoslav-Albanian border) and was attended by about 300 refugees from Albania. (R FBIS, 24 May 51). COMMENT: This announcement appears to confirm previous reports of Albanian refugee committees in Yugoslavia (OCI Daily Digest, 5 May 51). These committees are reported to be organized under the direction of the Yugoslav Communist Party and Security Police in order to give the Yugoslavs greater control over the anti-Hoxha activities of the Albanian refugees.

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## SECTION 2 (EASTERN)

- "C" GREECE. National Elections Under Discussion. The US Embassy reports that the adoption of a majority system for elections is most unlikely as long as there is any possibility that Commander-in-Chief Papagos might enter politics. Papagos has not recently displayed any indications that he intends to be a candidate, but the threat of this development is sufficient to block the adoption of the majority system. However, the move to avoid elections altogether is by no means dead, although the balance of probability still leans in favor of elections under the modified proportional system. (S Athens 4026, 22 May 51). COMMENT: Despite previous opposition to the holding of national elections, Prime Minister Venizelos announced on 3 May that because the composition of parties in the Chamber of Deputies made it impossible to produce a strong government, national elections would have to be held in the autumn. The vagaries of Greek politics, however, are such that a last minute reversal is still possible. Greek political leaders may decide that yet another coalition government, temporary and unstable though it would be, would still be preferable to an open test of strength.
- "B" SYRIA/ISRAEL. Jordan Water Rights Important to Syria, Jordan, and Israel. General Riley, Chairman of the UN Truce Supervision Organization (TSO), informed US Charge Clark in Damascus that an administrative division of the demilitarized zone on the Syrian-Israeli border, following the "water line," would be an ideal method of settling the border dispute (see OGI Daily Digest, 25 May 51). Riley pointed out, however, that this type of agreement could only be reached if both parties concerned agreed to amend the armistice and that since Israel regards the Jordan River as its life-line, it would resist any effort to change the boundaries of the former Palestine Mandate. Clark expresses the Embassy's view that the "water rights" of the Jordan and Yarmuk rivers are questions involving Syria and Jordan as well as Israel. Clark adds that he was informed by the French Legation (a) that the Syrian Prime Minister is agreeable to an administrative division of the demilitarized zone and (b) that such a division of the demilitarized zone might pave the way for a permanent territorial settlement, eliminating the minority issue, since the Syrian administrative zone created by the plan would absorb those Palestinian Arabs removed from their villages by the Israelis. (S Damascus 657, 23 May 51). COMMENT: While Syria would probably agree to an administrative division of the disputed demilitarized area, Israel would undoubtedly strongly oppose the plan. Israel claims ultimate sovereignty over the entire demilitarized area on the basis of the former Mandate boundary line and the 1947 Partition Plan, even though Israel acquired parts of the former Mandate which the UN Partition Plan had allotted to the Arabs.

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**"B"** INDIA. Indian Cabinet Members Resign. On 24 May, a usually well-informed source told the US Embassy in New Delhi that on the night of 23 May Indian Home Minister Rajagopalachari and Law Minister Ambedkar had submitted to Prime Minister Nehru their resignations from his Cabinet. The same source also reported that Food Minister Munshi would resign as soon as negotiations for US food aid to India were completed. The issue causing the resignations was said to be the amendment to article 19 of the Indian Constitution, which was introduced in Parliament by Nehru on 12 May. This amendment proposed a curb on the freedom of speech in India and modified provisions enabling the government to abolish feudal estates. (C New Delhi 3346, 24 May 51). COMMENT: Inasmuch as Rajagopalachari and Ambedkar both supported Nehru's stand on the constitutional amendment, it is difficult to understand why they should resign over a matter concerning it. It appears more likely that the three resignations, if actually submitted, were brought about by internal Congress Party politics which are apparently creating a definite split in the party and are resulting in the resignation of many members from it. It seems almost certain that a rightist Congress Party will be opposed in the national elections (November or December of this year) by a new leftist-reformist All-India Party composed of ex-Congressmen and various anti-Government, anti-Congress factions. It is uncertain at the moment where Prime Minister Nehru will stand at the time of the elections.

**"B"** AFGHANISTAN/PAKISTAN. Afghanistan Moves To Restore Peace On Its Southern Frontier. The US Charge in Kabul has learned from the Pakistani Charge in Kabul that the Afghan Government has proposed to Pakistan that both governments simultaneously withdraw their troops from the Kandahar-Quetta area. While the Afghan Acting Prime Minister has apologized to the Pakistani Charge, Prince Daud, who, in the opinion of the US Charge, probably helped engineer the recent incidents in the Kandahar area, apparently continues to hold his "obdurate attitude." The US Charge and the UK Ambassador considers it possible that the Daud Faction may set off further incidents. (S Kabul 373, 24 May 51). COMMENT: The Kabul Government's suggestion of simultaneous withdrawal of troops should ease the tension. However, as long as influential members of the Afghan Government continue to hold a completely intransigent viewpoint on this subject no settlement can be made, and armed clashes such as have recently been reported will recur. 25X1C

**"A"** INDOCHINA. Plans for Viet Minh Attack South of Hanoi Reported. [REDACTED]

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[REDACTED] reports that Viet Minh troops in three provinces southeast of Hanoi have been instructed to "prepare for a front and await further orders." [REDACTED] 25X1C

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believes this order may indicate a rebel attack in the area between 27 May and 1 June. (S [REDACTED]. COMMENT:

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This report supplements [REDACTED] ordering troops north of Hanoi to be in a state of readiness by 25 May and alerting units in Central and South Vietnam for possible action, variously, on the 25th and at the "end of May." The recently declared

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military policy of the Viet Minh is to return to guerrilla warfare for an indefinite period. This policy is consistent with the low capabilities of the rebel forces in relation to the French and the beginning of the rainy season (which limits major operations by either side). It is not probable that the Viet Minh would attempt a large-scale coordinated attack except as an extreme measure designed to prepare the way for or screen the entry of Chinese Communist troops. The Chinese Communists retain the capability to invade but there have been no reliable indications that they intend to do so.

"C" Conditions in Cambodia Outlined by King. The King of Cambodia, in Saigon while en route to France, outlined the situation in Cambodia for US Legation officials as follows: (a) the anti-rebel campaign has notably improved in the past year, (b) Cambodia badly needed trained and experienced military officers and civil administration, (c) the people were clamoring for a constitution, and (d) he would not appoint any members to an Assembly as was the practice in Vietnam; members would all be elected. (S Saigon 2071, 25 May 1951).

"C" Cambodian King May Want to Visit US. The Cambodian Foreign Minister asked a State Department official visiting the country whether a visit from the King would be well received in the US "at this time." The official replied the King would always be welcome but a royal visit should be arranged for in advance; approximately a year's prior notice was mentioned as necessary for expecting proper arrangements. (S Saigon 2072, 25 May 1951). COMMENT: There has been some mention that Bao Dai also wishes to visit the US.

"A" CHINA. Agreement between Tibetan Delegation and Peiping is Expected Soon. The UK High Commissioner in New Delhi, quoting Indian Foreign Office sources, reports that an agreement between the Tibetan delegation and the Peiping regime is expected in the "next few days." These sources anticipate that Peiping will assume responsibility for Tibet's defense and foreign relations. Sources state that India had advised the Tibetan delegation that Tibet "would not be justified in resisting such terms," but had also encouraged the delegates to seek an agreement that Chinese Communist troops would not be stationed in southern Tibet in the absence of a "threat from Nepal or India." (S London 6144, 25 May 1951). COMMENT: The head of the Tibetan delegation to Peiping--which arrived in Peiping in late April--publicly stated that it was his purpose "to negotiate a successful liberation" of Tibet. While India has hoped for a semi-autonomous Tibet under Chinese suzerainty, Tibet's status is not expected to differ essentially from that of any other 'liberated' area

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populated by an ethnic minority; the Communists will exercise effective control. Peiping's propaganda has already perceived a "threat" from territory bordering Tibet, and Chinese Communist troops will doubtless appear in the area.

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Soviet troops in Sinkiang. [redacted] reports that, as of March 1951, approximately 41,000 Soviet troops were deployed throughout Sinkiang Province, about 4000 of whom were billeted in Tihua (the capital). ( S [redacted]

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[redacted]. COMMENT: The above is the most recent information on Soviet forces in Sinkiang. As of late 1950, [redacted] alleged that up to 300,000 Soviet troops were deployed in the Province, while [redacted] estimated, on the basis of hearsay, that perhaps 30-40,000 were present. Although the presence of Soviet forces in Sinkiang is still unconfirmed, it is probable that some thousands of Soviet troops are attached to various Soviet advisory-technical missions (including military) in the Province.

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KOREA. ROK Legislative Leader Supports Japanese Rearmament. According to a press account from Tokyo, Shin Ikhi, speaker of the ROK National Assembly, recently stated that Korea should abandon its reparation claims against Japan and support Japanese rearmament. Shin, recently returned from conferences with the Chinese Nationalists, further suggests that Japan, Korea, and Nationalist China should join forces in Asia to fight the common enemy. ( R FBIS Ticker (PANA), 26 May 51). COMMENT: Shin's statements in reference to Japanese rearmament are a signal departure from the general run of Korean commentary on this subject. While some alleviation of anti-Japanese feeling has taken place in Korea, the majority of Korean leaders still fear and distrust the concept of a resurgent Japan.

"B"

JAPAN. Government Considering A Security Ministry. JIJI SHIMPO reports that, although Premier Yoshida is now trying to "soft pedal" the question of rearmament, both because Japan has not yet recovered its economic power and for fear of arousing misunderstanding on the part of the Allied Nations prior to the peace treaty, "competent authorities" have started an examination of Japan's rearmament problem. Consideration is now being given to a proposed "Security Ministry" into which would be incorporated the present National Policy Reserve, the National Rural Police, local police forces and the Maritime Safety Board. At some future date, depending upon international developments, the Security Ministry could be transformed into a Defense Ministry. JIJI also adds that after the treaty is ratified, a preparatory committee for Japan's rearmament will be established. (R FBIS, 20 May 1951). COMMENT: JIJI SHIMPO is usually regarded as a semi-official Government mouthpiece and its article may be looked upon as a trial balloon. This appears to be the first time that a reputable Japanese paper has openly admitted the possibility of previously rumored Security Ministry turning into a Defense Ministry.

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## SECTION 3 (WESTERN)

"B" FRANCE. French Fear Interests in Syria Would be Jeopardized by Proposed Aid. The Counselor of the French Legation in Damascus has stated that he could foresee no difficulties regarding arms aid to Syria but wondered how economic aid could be extended without jeopardizing the position of the French Banque de Syrie and other French interests. (S Damascus 663, 24 May 51) COMMENT: The State Department has proposed that a grant of \$25 million be matched by similar amounts from the UK and France to extend military, economic, and social aid to the Arab States. Because the alignment of Middle Eastern sympathies with the West supersedes the particular interest of any one nation in that area, the French will probably subordinate their interests to the larger issue reluctantly and go along with the proposed plan.

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"C" AUSTRIA. KPOe Reported to Establish Own Police Force. [REDACTED] the local organizations of the Austrian Communist Party (KPOe) have been directed to establish a party police "to maintain order and protect party meetings against opposition elements in the event of disturbances." Local branches in Upper Austria (US zone) have also been told to create Roll-Kommandos (raiding parties), which will comprise about 10% of the branch memberships. The Central Committee, furthermore, has ordered KPOe branches throughout the Western zones to take precautions against confiscations of property by liquidating all their bank accounts and transferring funds to the Vienna account, and to sell all property (including furniture, typewriters, and automobiles) or transfer title to private persons, who would then lend the items to the party. (S [REDACTED])

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25X1A COMMENT: It is typical for central European extremist political parties to maintain party police. If Austrian Communists are organizing one now, they probably hope to attract, and indoctrinate, ex-Nazis who take pleasure in belonging to strong-arm squads, and who are more numerous in Upper Austria than elsewhere.

"B" SPAIN. Government Threatens to Banish Striking Basque Workers. The work stoppage at Eibar and six nearby towns in the province of Guipuzcoa ended today. No violence has been reported, but the Civil Governor, who ordered the arrest of a number of Basque Nationalists, has threatened to banish striking workers from the region. According to the US Consulate in Bilbao, province of Vizcaya, the bullring quarters in this city have been readied to serve as a prison in case of further trouble. (C Bilbao 57, 25 May 51) COMMENT: The strike at Eibar, an arms production center, is believed to have been planned to coincide with the 22 May Madrid transportation boycott. The incident points up the rebellious spirit which exists among workers in the Basque province of Guipuzcoa. The Civil Governor's inept handling of the strikes transformed what began as well-

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disciplined and non-violent protests against the high cost of living into open hostility between the people and the authorities. (See OCI Daily Digest, 7 May 51).

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SWEDEN. Inflationary Pressures Increase. With the relaxation in November 1950 of the two-year wage freeze and the cessation in last December of certain import subsidies which had cushioned the impact of price increases abroad, Sweden has experienced since January a general price increase of 15%. An additional 10-15% rise is possible during the next few months. However, the Social Democratic Government, with its program of full employment and social welfare, is reluctant to institute comprehensive control measures until the outcome of the foreign inflationary spiral becomes more apparent, and believes that its program of budgetary surpluses and taxation to absorb excess purchasing power is still adequate. The government vigorously opposes an increase in interest rates because this would adversely affect the housing program. The non-Communist opposition parties charge that the government is underestimating the situation but offer no alternative program. Although political tempers have sharpened and some government taxation measures have recently passed the Riksdag by extremely narrow votes, the stability of the government is not seriously endangered for the government would probably choose not to regard a defeat on such an issue as a no-confidence vote. A run-away inflation is extremely unlikely because the Swedish economy is basically well-balanced and strong. Should the economic situation become really threatening, all non-communist political parties, together with such large economic organizations as the Confederation of Labor, the Employers' Association and the various large farmer organizations, would cooperate with the government in drafting and instituting more comprehensive anti-inflationary measures.

"B"

UNITED KINGDOM. Anglo-Iranian Oil Company Continuing to Demand Arbitration. The Anglo-Iranian Oil Company has asked the International Court of Justice to appoint an arbitrator to help settle its dispute with Iran over oil nationalization. (U AP Ticker, 26 May 51) COMMENT: The Anglo-Iranian Oil Company and the British Government have insisted that Iran cannot unilaterally cancel the company's concession agreement which would not expire until 1993, but the Iranian Government on 20 May turned down the company's 8 May request for arbitration on the ground that arbitration would be repugnant to Iran's sovereign right to nationalize industries within its borders. Under these conditions there can be no arbitration and this latest Company action is probably a technical move designed to make clear its legal position before agreeing to enter into any discussions which start from the premise that the principle of nationalization is now accepted by the British. This latest British move may somewhat improve their position in international public opinion but will contribute little directly to reaching a settlement with the Iranians.

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MOROCCO. Sultan Allegedly Seeks to Transfer His Personal Wealth to the US. The Sultan of Morocco reportedly is negotiating for the surreptitious transfer of all his personal holdings from Morocco to the US. French permission for this transfer carries the condition that the Sultan agree to support General Juin and to oppose Moroccan independence, which the Sultan refuses to do. (S US Officials Only

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████████████████████ COMMENT: This is the first report that the Sultan is seeking to transfer his personal wealth. Because the tense atmosphere in Morocco has not been completely dissipated, the Sultan may be attempting to make substantial foreign investments in the event he should be forced to flee—in all likelihood he already has substantial wealth outside his country.

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